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**DEPARTMENT  
POLICY****All Programs**

When a client group receives more benefits than it is entitled to receive, the Michigan Department of Health and Human Services (MDHHS) must attempt to recoup the overissuance. This item explains overissuance types and standards of promptness (SOP).

**Note:** A client or Child Development and Care (CDC) provider may voluntarily repay any program benefits even when there is no overissuance. Refer these situations to the local office.

**Definitions**

The **Benefit Recovery System (BRS)** is the part of Bridges that tracks all Family Independence Program (FIP), State Disability Assistance (SDA), Child Development and Care (CDC) and Food Assistance Program (FAP) overissuances and payments, issues automated collection notices and triggers automated benefit reductions for active programs.

A **claim** is the resulting debt created by an overissuance of benefits.

The **discovery date** is the date Bridges automatically inserts the date when there is an overissuance and a referral is made to the recoupment specialist (RS) for a client or agency error. The RS determines the discovery date for manual claims and it is the date the overissuance is known to exist and there is evidence available to determine the overissuance type. For an intentional program violation (IPV) the Office of Inspector General (OIG) determines the discovery date. This is the date the referral was sent to the prosecutor or the date that OIG requested an administrative disqualification hearing.

The **establishment date** for an overissuance is the date the DHS-4358A-D, Repay Agreement, is sent to the client and for an IPV the date the DHS-4357 is sent notifying the client when the disqualification and/or recoupment will start.

An **overissuance** is the amount of benefits issued to the client group or CDC provider in excess of what it was eligible to receive. For FAP benefits, an overissuance is also the amount of benefits trafficked (stolen, traded, bought or sold) or attempted to be

trafficked. **Overissuance type** identifies the cause of an overissuance.

**Recoupment** is a MDHHS action to identify and recover a benefit overissuance.

A **recoupment specialist (RS)** is the specialist assigned to process overissuances and act as liaison with OIG, reconciliation and recoupment section (RRS), and other personnel involved with recoupment and collections.

**Trafficking** is:

- The buying, selling or stealing of FAP benefits for cash or consideration other than eligible food. Examples would be liquor, exchange of firearms, ammunition, explosives or controlled substances.
- Selling products purchased with FAP benefits for cash or consideration other than eligible food.
- Purchasing containers with deposits, dumping/discarding product and then returning containers to obtain cash refund deposits.
- Attempting to buy, sell or steal FAP benefits for cash or consideration other than eligible food.

## PREVENTION OF OVERISSUANCES

### All Programs

MDHHS must inform clients of their reporting responsibilities and act on the information reported within the standard of promptness (SOP).

During eligibility determination and while the case is active, clients are repeatedly reminded of reporting responsibilities, including:

- Acknowledgments on the application form.
- Explanation at application/redetermination interviews.
- Client notices and program pamphlets.

MDHHS must prevent overissuances by following Bridges Administrative Manual (BAM) 105 requirements and by informing the client or authorized representative (AR) of the following:

- Applicants and recipients are required by law to give complete and accurate information about their circumstances.
- Applicants and recipients are required by law to promptly notify MDHHS of all non-income changes in circumstances within 10 days. Income related changes must be reported within 10 days of receiving their first payment. FAP Simplified Reporting (SR) groups are required to report only when the group's actual gross monthly income exceeds the SR income limit for their group size.
- Incorrect, late reported or omitted information causing an overissuance can result in cash repayment or benefit reduction.
- A timely hearing request can delete a proposed benefit reduction. The client must repay the overissuance if either:
  - The hearing request is later withdrawn.
  - Michigan Administrative Hearings System (MAHS) denies the hearing request.
  - The client or administrative hearing representative fails to appear for the hearing and MAHS gives MDHHS written instructions to proceed.
  - The hearing decision upholds the department's actions.

See BAM 600.

Record on the application the client's comments and/or questions about the above responsibilities.

MDHHS may prevent overissuances by referring questionable information to the OIG Front End Eligibility (FEE) agent for investigation.

## DISCOVERY OF SUSPECTED OVERISSUANCES

### All Programs

An overissuance might be discovered through normal casework or by one of the following:

- Case readings.
- Computer cross matches.
- Quality Control audit findings.
- Welfare Fraud Hotline referrals.
- Non-honored repay agreements.
- Michigan Administrative Hearings System.

### **FAP Only**

If discovered that a FAP household is receiving FAP **and** FDPIR (Food Distribution Program on Indian Reservations), a FAP OI exists **only** if the household received FDPIR prior to its FAP application; see Bridges Eligibility Manual (BEM) 222, Food Distribution Program Benefits.

## **OVERISSUANCE TYPES**

### **All Programs**

The three different types are described below. Further detail is included in BAM 705, 715 and 720.

### **CDC Only**

**Information on overissuances as a result of a provider error or provider intentional program violation (IPV) can be found in BEM 707.**

## **Agency Error**

### **All Programs**

An agency error is caused by incorrect action (including delayed or no action) by MDHHS staff or department processes. Some examples are:

- Available information was not used or was used incorrectly.
- Policy was misapplied.
- Action by local or central office staff was delayed.
- Computer errors occurred.
- Information was not shared between department divisions such as services staff.

- Data exchange reports were not acted upon timely (wage match, new hires, BENDEX, etc.).

If unable to identify the type, record it as an agency error.

### **FIP, SDA, CDC and FAP**

Agency errors are not pursued if the estimated amount is less than \$250 per program.

**Exception:** There is no threshold limit on CDC **system** errors. Michigan Department of Education (MDE) will recoup these types of overissuances.

**Example:** If payroll checks or Electronic Funds Transfer (EFTs) for the CDC provider were issued twice, the full amount of the overpayment would be recouped by RRS.

### **FIP, SDA and FAP**

The agency error threshold was raised to \$250 from \$125 with an effective date of December 1, 2012.

The agency error threshold was lowered to \$125 from \$500 with a retroactive effective date of August 1, 2008, until November 30, 2012.

**Example 1:** Jacob Andrew was found to have an agency error for the period of June 2008 through August 2008. Since some of the months fall prior to August 2008, the old \$500 threshold applies.

**Example 2:** Joshua Allen was found to have an agency error for the period of August 2008 through November 2008. Since all months fall after August 2008, the \$125 threshold applies.

**Note:** The past agency error threshold was lowered to \$500 from \$1,000 effective April 1, 2005, and retroactive to September 1, 2003. If the agency error includes September 2003, the \$500 threshold applies. If all months of the error are prior to September 2003, the \$1,000 threshold applies.

### **FIP and SDA**

Treat an overissuance due to excess assets as an agency error **unless** IPV caused it.

**CDC Only**

**Note:** CDC agency errors and CDC provider agency errors must be pursued beginning October 1, 2006. If the CDC agency error overissuance period included the month of October 2006, include the months previous to October 2006 when determining the amount.

**Example:** Jacob Andrew was found to have an agency error for the period of March 2006 through December 2006. Since October falls within the error months, CDC agency error **is** pursued for all months.

**Note:** Agency errors will be assigned to the provider or the client depending on the type of agency error that occurred; see BAM 705.

**State Emergency Relief (SER) Only**

Follow procedures in the State Emergency Relief Manual (ERM) items for recoupment of SER.

**MA and ESS Only**

Recoupment of agency errors are not pursued.

**Client Error****All Programs**

A **client error** occurs when the client received more benefits than they were entitled to because the client gave incorrect or incomplete information to the department.

A client error also exists when the client's timely request for a hearing result in deletion of a MDHHS action, **and any of the following occurred:**

- The hearing request is later withdrawn.
- MAHS denies the hearing request.
- The client or administrative hearing representative fails to appear for the hearing and MAHS gives MDHHS written instructions to proceed.
- The hearing decision upholds the department's actions; see BAM 600.

**SDA Only**

A client error exists when the client fails to honor an SDA repay agreement after receiving a potential resource. Do not pursue IPV; see BEM 272.

**Note:** Social Security Income (SSI)-benefit recovery is initiated by RRS in central office. If the client contacts the local office to arrange repayment, have the client sign form DHS-4358B, Agency and Client Error Repayment Agreement. Do **not** enter these debts on ARS unless the client signs a DHS-4358B. Notify the local interim assistance reimbursement (IAR) liaison in the fiscal unit if the client signs a DHS-4358B. The IAR will contact RRS; see BEM 272.

**CDC Provider  
Error****CDC Only**

A **provider error** is an unintentional or inadvertent error made by the provider who reported incorrect information or failed to report information to the department.

**Client Suspected  
Intentional  
Program Violation****All Programs**

Suspected IPV means an overissuance exists for which all three of the following conditions exist:

- The client intentionally failed to report information **or** intentionally gave incomplete or inaccurate information needed to make a correct benefit determination.
- The client was clearly instructed regarding his or her reporting responsibilities.
- The client has no apparent physical or mental impairment that limits his or her understanding or ability to fulfill his reporting responsibilities.

IPV is suspected when there is clear and convincing evidence that the client has **intentionally** withheld or misrepresented information

for the **purpose** of establishing, maintaining, increasing or preventing reduction of program benefits or eligibility.

**CDC Provider  
Suspected  
Intentional  
Program Violation**

**CDC Only**

**Note:** A suspected provider IPV is an overissuance caused by a provider's intentional act to receive higher reimbursements than he/she is entitled to. See BEM 707 for information on provider IPVs. If care was authorized, provided and paid for but the client was ineligible, this would be considered a CDC client error or agency error.

**Intentional  
Program Violation**

**FIP, SDA, CDC and FAP**

The client/AR is determined to have committed an IPV by:

- A court decision.
- An administrative hearing decision.
- The client/AR signing a DHS-826, Request for Waiver of Disqualification Hearing, or DHS-830 Disqualification Consent Agreement, or other recoupment and disqualification agreement form.

**FAP Only**

IPV exists when an administrative hearing decision, a repayment and disqualification agreement or court decision determines FAP benefits were trafficked.

**MA Only**

IPV exists when the client/AR:

- Is found guilty of fraud by a court.
- Signs a DHS-4350 **and** the prosecutor or OIG designee authorizes recoupment in lieu of prosecution.



## Multiple Overissuance Types

### CDC Only

When an overissuance occurs it may involve more than one overissuance type.

If agency error and another error occurred, follow procedures for the non-agency error overissuance first.

If a hearing-related error occurs, follow policy for CDC client error.

If provider error and CDC client error or CDC client IPV occurred and care was authorized by MDHHS and paid by the Michigan Department of Education (MDE) to the provider but care was not provided, recoup from the provider.

## OVERISSUANCE THRESHOLD

### FIP, SDA, CDC and FAP

Client and Agency errors are not pursued if the estimated amount is less than \$250 per program.

**Exception:** There is no threshold limit on CDC **system** errors. Michigan Department of Education (MDE) will recoup these types of overissuances.

## OVERISSUANCE PROCESSING

### All Programs

#### Specialist Actions

When a potential overissuance is discovered the following actions must be taken:

1. Immediately correct the current benefits; see BAM 220, Case Actions, for change processing requirements.
2. Obtain initial evidence that an overissuance potentially exists.
3. Determine if it was caused by department, provider or client actions.

4. Refer any overissuances needing referral to the RS within **60 days** of suspecting one exists.

**Exception:** Office of Quality Assurance (OQA) discovered overissuances must be referred to the RS within 7 days of receipt of the OQA findings. OQA has already verified one exists.

### **FIP, SDA, CDC and FAP**

Within **60 days** of suspecting an overissuance exists, complete a DHS-4701, Overissuance Referral, and refer the following overissuances to the RS for your office:

- All client and agency errors over \$250.
- All suspected IPV errors.
- All CDC provider errors.

### **MA Only**

Do not pursue recoupment of agency error. Do not refer these to the RS. See BAM 710 for client error and IPV processing.

### **SER and DSS**

Refer SER and DSS overissuances to the RS **only** when IPV is suspected and a FIP, SDA or FAP overissuance also exists for the same period. Follow procedures in the SER manual for recoupment of SER. Follow procedures in BEM 232 for Direct Support Services (DSS) OIs.

## **RECOUPMENT SPECIALIST REFERRAL**

### **FIP, SDA, CDC and FAP**

Bridges refers most overissuances to the RS. Use the DHS-4701, Overissuance Referral, to refer manual overissuances.

**Example:** Specialists are trained to enter a current circumstance start change date (CSCD) if they do not have past verifications or they do not know the begin date of the change. If the specialist uses a current CSCD and they know an overissuance exists then a manual referral using the DHS-4701 must be made.

Complete **all** sections **and** attach the potential evidence to the DHS-4701 when sending it to the RS for your local office or region.

A recoupment specialist list is on the DHS-Net, under Tools, Directories/Contact Info/Maps. The listing provides RS contact information by county and district.

The DHS-4701 must be sent to the RS within 60 days of suspecting that an overissuance exists.

***Exception:*** OQA discovered overissuances must be referred to the RS within **seven days**. OQA has already verified one exists.

## RS Actions

### FIP, SDA, CDC and FAP

Within **60** days of receiving the referral, the RS must:

- Determine if an overissuance actually occurred, **and**
- Determine the types.

Within **90** days of determining an overissuance occurred, the RS must:

- Obtain all evidence needed to establish an overissuance.
- Calculate the amount.
- Send a DHS-4358A, B, C & D to the client.
- Enter the programs on BRS.
- Refer all suspected IPV overissuances to OIG for investigation.
- Send a DHS-4701A, Overissuance Referral Disposition, to the specialist explaining the final disposition of the error.

### FIP, SDA and FAP

Establish a suspected IPV as a client error.

**For OQA discovered overissuances, the RS will have a total of 90 days from the date of receiving the referral to:**

- Obtain all evidence needed to establish.
- Calculate the amount.
- Start collection action on agency client and suspected IPV errors as client errors.
- Refer all suspected IPV to OIG for investigation.

In addition to processing overissuance referrals, RS are responsible for other duties related to recoupment and collections, such as:

- Entering, changing or correcting an overissuance on BRS.
- Transferring overissuances to other case numbers.
- Handling recoupment issues on closed cases.
- Assisting local fiscal units and reconciliation and recoupment staff in central office as needed with collection activities.

## OIG Referral

### All Programs

Suspected IPV overissuances are referred to OIG on the DHS-834, Fraud Investigation Request, located on the Michigan Inspector General System (MIGS). Evidence for the suspected IPV must be attached to the DHS-834.

Prudent judgment should be used in evaluating an overissuance for suspected IPV. Consider the following questions when reviewing the case:

- Does the record show that department staff advised the client of his rights and responsibilities?
- Does the record show the client's acknowledgment of these rights and responsibilities?
- Did the client neglect to report timely when required to do so?
- Did the client make false or misleading statements?
- Does the client error meet suspected IPV criteria?
- Does the amount meet the OIG threshold found in BAM 720?

### FIP, SDA, CDC and FAP

RS must refer all client and CDC provider errors suspected of IPV to OIG when IPV criteria are met. See BAM 720 for the criteria and policy on establishing IPV.

### MA, SER and DSS

The ongoing specialist refers these programs directly to OIG when IPV is suspected. Follow directions on the DHS-834. Evidence for

the suspected IPV must be attached to the DHS-834. Provide calculation of the amount and period with the referral.

## **OVERISSUANCE DISPOSITION**

### **All Programs**

When all actions are completed by the RS and OIG, the RS will inform the ongoing specialist of the final disposition on the DHS-4701A.

### **MA, SER and DSS**

These program overissuances are not tracked on BRS. OIG or the RS will inform the local fiscal unit when an account needs to be established for cash collections.

## **ESTABLISHING OVERISSUANCE CLAIMS**

### **All Programs**

Policies and procedures for calculating, establishing and recouping an overissuance are contained in the following manual items:

- BAM 705, Agency Error Overissuances.
- BAM 710, MA Overissuances.
- BAM 715, Client Error Overissuances.
- BAM 720, Intentional Program Violation.
- BAM 725, Collection Actions.
- BEM 232, Direct Support Services.
- ERM 401, Payment.

## **WELFARE FRAUD HOTLINE REFERRAL PROCEDURES**

A toll-free hotline number (1-800-222-8558) is provided to the public for use in filing complaints regarding all programs where possible fraudulent activities may be occurring. The Customer Service Unit (CSU) located in central office receives these calls. An electronic database is now available to refer, monitor and dispose of fraud referrals.

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**RESPONSIBILITY****ACTION****CSU**

1. Receive call.
2. Complete file clearance to determine affected county.
3. Forward referral electronically to the designated fraud coordinator in local office.

**Referral  
Coordinator**

4. Forward referral to FIS/ES.

**FIS/ES**

5. Investigate, take necessary case action and refer to RS if appropriate (within 30 days).
6. Report findings back to designated fraud coordinator.

**Referral  
Coordinator**

7. Review findings.
8. Report findings back to central office.

**FAP Only**

Hotline complaints about FAP clients misusing their EBT food benefits must be handled by the FIS/ES. Dispose of these complaints by advising the client of proper food benefit use and penalties for misuse at the next redetermination. Do not refer these complaints to the Food and Nutrition Service (FNS).

Do not refer complaints about retailers to FNS; see RFT 261 for the proper address.

**RECOUPMENT  
SPECIALIST LISTING**

A Recoupment Specialist Listing is on the DHS-Net under Tools, ChilDirectories/Contact Info/Maps. The listing provides RS contact information by county and region.

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**LEGAL BASE****FIP**

Personal Responsibility and Work Opportunity Reconciliation Act of 1996., P. L. 104-193 of 1996  
MCL 400.60  
Mich Admin Code, R 400.329 - 400.331  
MCL 400.1 et seq

**MA**

42 CFR 431.230(b)  
MCL 400.60

**FAP**

7 USC 271.2  
7 CFR 272.8  
7 USC 2022  
Mich Admin Code, R 400.3011

**SDA**

Annual Appropriations Act

**CDC**

Child Care and Development Fund, 45 CFR Parts 98 and 99  
Social Security Act, as amended 42 USC 301 *et seq.*  
Mich Admin Code, R 400.5001 - 400.5020